

## STATEMENT OF PURPOSE

### RS19769

This joint resolution proposes to amend Article IX, Section 10 of the Idaho Constitution to provide that no university lands may be sold for less than the appraised price and to remove the restriction that not to exceed one hundred and sixty acres of university lands may be sold to any one person, company or corporation. These amendments will allow the Board to dispose of university lands in a commercially reasonable manner.

The Idaho Constitution provides that the State Board of Land Commissioners (Land Board) is the trustee for the nine endowments established by the Idaho Admission Bill. "All endowment assets of the State of Idaho must, per the state Constitution, be managed 'in such manner as will secure the maximum long term financial return' to the trust beneficiaries." *State Trust Lands Asset Management Plan* at 3 (July 2008). As the trustee, "the Land Board is obligated to manage the assets of each trust with undivided loyalty to the beneficiaries of the trust." *Id.* In furtherance of these duties, the Land Board in 1996 appointed the Governor's Committee on Endowment Fund Investment Reform for the purpose of studying and recommending changes to the governance structure for the state endowments. The objective was to ensure that the governance structure reflected modern trust management principles. As a result of the Committee's report, a suite of constitutional and statutory amendments were enacted in 1998 that consolidated governance of the financial and land assets of the endowments under the Land Board. The purpose of these changes was to ensure that the financial and lands assets are managed as a unified trust under the principles of the Idaho Prudent Investor Act (Idaho Code Title 68, Chapter 5). The mission of the Land Board is to manage the combined assets "to provide a perpetual stream of income to the beneficiaries by: maximizing long-term financial return at a prudent level of risk, protecting future generations' purchasing power, and providing a relatively stable and predictable payout." *Asset Management Plan* at 3.

In 2001, then Governor Kempthorne appointed a Citizens Ad Hoc Evaluation Committee on Lands/Endowment to assist in the development of an endowment reform implementation plan. The Committee recommended that the "Land Board adopt a formal Land Trust Investment Policy that includes, among other standard items, the following three area: statement of investment objectives, annual investment plan and commercial real estate policies." *Governor's Citizens Ad hoc Evaluation Committee on Lands/Endowment, Attachment 1* at 1 (July 10, 2001). Through the development of the Land Trust Investment Policy, it became apparent that the disposition provisions of the Idaho Constitution needed to be reviewed. Thus, in 2009, the land Board appointed the Endowment Land Transaction Advisory Committee (Advisory Committee) "to provide an impartial review of the specific elements of the Idaho State Constitution and the Admission Bill governing the disposition of Endowment lands."

On July 21, 2009, the Advisory Committee submitted a report to the Land Board recommending two changes to Article IX, Section 8 and this proposed changed to Article IX, 10. The changes to Article IX, Section 8 are set forth in RS 19769.

The rationale for the Advisory Committee's recommendation to delete the 160 acre limitation on the purchase of university lands by any one individual, company or corporation is that larger tracts of lands are often required for commercially feasible development. *Id.* at 14. "Typical transactions in the private sector currently exceed this size and would be precluded by the limitation, especially if the project is residential or a mixed use project." *Id.* Deletion of this limitation will allow the

Land Board to participate in desirable market opportunities and to achieve a greater return for the university.

### **FISCAL NOTE**

These amendments will not impact the general fund. if adopted, the amendments will enhance the financial returns from university endowment lands.



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